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March 26, 1963

Dr. Herbert Scoville, Jr.
Deputy Director, Research
Central Intelligence Agency
Washington, D.C.

Dear Pete:

It was a great pleasure to have the opportunity to become acquainted with you during our seminar at Aspen on the "Public Understanding of the Role of Science in Society."

I am sure that your interest in the subject of our conference is not a passing one and consequently I hope that you will have the time and inclination to read the books and essays on the theory of capitalism which I am sending you under separate cover. As a moderator, there were serious limitations on my ability to press or clarify the relevance of the idea of capitalism during the seminar. Yet I believe that an understanding of the theory is indispensable to a full comprehension of the economic impact of science and to our eventual ability to enjoy its benefits in a free society.

Although it is a great over-simplification to say so, the essence of the writings which I am sending you lies in their recognizing -- I believe for the first time -- the social implications of a two factor theory of production: a theory recognizing that capital and labor produce wealth in precisely the same sense.

All conventional economic theory assumes that an economy that provides full employment, and perhaps a reasonable rate of "economic growth" as that term is variously used, is a satisfactory economic system. The theory of capitalism holds that affluence, in anything except a slave society (where affluence is for masters only), is generally a product of capital, rather than of labor. Consequently, it holds that any stable system must recognize the necessity of simultaneously building the power to consume as it builds the power to produce. In a private property system, this is quite impossible unless the techniques of finance are designed to assure a rapidly growing private ownership of the non-human factor of production -- capital. A corollary to the capitalist hypothesis is that any attempt to achieve general affluence without a growing proprietary base must necessarily result in a

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rapid erosion and eventually total destruction of the private proprietary base and the concentration of the bulk of economic power and political power in the hands of the holders of public office -- a totalitarian system.

Because of the frank recognition of the primacy of theory in the physical sciences and the complete absence of a rational (or as Erich Fromm would call it, a "sane") theory of the production and distribution of wealth in the social sciences, we live in a world in which technology has quite outgrown its social environment. Since our economists, politicians, statemen, lawyers and others dealing with our social sciences fail to recognize this, perhaps the time has come for scientists to look at the poverty of theory in the social sciences.

If your reading time is severely limited, I would suggest the following quick reading tour through the writings:

1. First read Chapter 5 (pages 52-86) of The Capitalist Manifesto. Of this the material on pages 66 to 86 is vital. The most critical point is the understanding of the three principles of economic justice. They have never been stated before as indispensable to each other. It is our thesis that they are valid only taken in their entirety and that no one of the principles or no two of the principles are valid independently of the third.

2. Read the essay "The Case for the Capitalist Welfare State." This is basic thinking. It sets forth the basic principle of distribution of a capitalist economy and does so in as brief a manner as this can be handled except when one is writing for scientists.

3. Read The New Capitalists.

4. Read all the remaining writings if your conviction encourages you to do so.

It would be a pleasure for me if, when you are in San Francisco, you would give me a call in order that we might continue the acquaintance which we began at Aspen.

With best regards.

Sincerely,

Louis O. Kelso